

Cost of
Fulfilling
the Systems'
Master Plan
Missions

Minus State
Appropriations

Equals Their
Funding Gap

COMMISSION COMMENTS ON THE SYSTEMS' FINAL FUNDING GAP REPORTS



CALIFORNIA
POSTSECONDARY
EDUCATION
COMMISSION

Summary

In Supplemental Report Language to the 1991 Budget Act, the Legislature asked the University of California, the California State University, the California Community Colleges, and the California Student Aid Commission to each prepare a "funding gap" report that would

- 1 Document the gap or difference between its State appropriation and the funding needed to fully support its unique mission under the State's Master Plan for Higher Education ,
- 2 Identify how that underfunding or gap has affected program quality and student access to its institutions,
- 3 Identify its plans and priorities for maintaining its Master Plan mission given its current level of State funding; and
- 4 Provide recommendations about how the State should fund it in the future

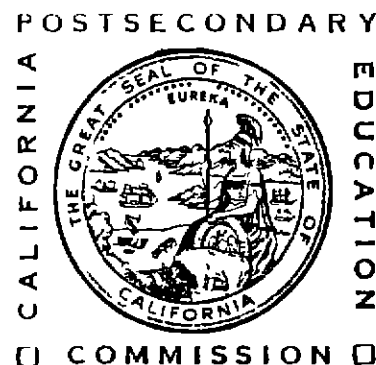
The Legislature also requested that the California Postsecondary Education Commission review and comment on these reports of the systems. This document fulfills that legislative request. In it, the Commission summarizes the reports and identifies the steps that the Commission will take as a result of their findings.

The Commission adopted this document at its meeting of August 24, 1992, on recommendation of its Fiscal Policy and Analysis Committee. Additional copies of the report may be obtained by writing the Commission at 1303 J Street, Fifth Floor, Sacramento, CA 95814-2938.

COMMISSION COMMENTS ON THE SYSTEMS' FINAL "FUNDING GAP" REPORTS

*A Second Report to the Legislature and the Governor
in Response to Supplemental Report Language
of the 1991 Budget Act*

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
1303 J Street • Fifth Floor • Sacramento, California 95814-2938





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Contributing Staff: Karl M. Engelbach

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Commission Comments on the Systems' Final Funding Gap Reports

Background

A year ago, the Legislature recognized that the budgetary actions it took to resolve that year's \$14.3 billion State budget deficit might have a significant impact on the ability of its colleges and universities to maintain the State's Master Plan goals of access, quality, and equity for higher education as codified in the Donahoe Higher Education Act. As a result, it adopted Supplemental Report Language to the 1991-92 State Budget (reproduced in Appendix A of this report) directing the University of California, the California State University, the California Community Colleges, and the California Student Aid Commission to prepare "funding gap" reports. In those reports each agency was to:

1. Document the gap or difference between its State appropriation and the funding needed to fully support its unique mission under the State's Master Plan for Higher Education;
2. Identify how that underfunding or gap has affected program quality and student access to its institutions;
3. Identify its plans and priorities for maintaining its Master Plan mission given its current level of State funding; and
4. Provide recommendations about how the State should fund it in the future.

The Legislature requested that each system and the Student Aid Commission submit a preliminary report to the Governor, the Legislature, and the Postsecondary Education Commission by December 15, 1991, and a final report by April 1, 1992.

The Legislature also requested in Supplemental Report Language that the Commission review both the preliminary and final funding gap reports prepared by the systems and comment on the alternatives that each system considered in order to reduce institutional costs, including examining if they considered changes in faculty workload practices, program scope, or administrative costs in order to re-

duce total cost. The Legislature also asked the Commission to raise any concerns it may have about the effect of the systems' decisions on the integrity of the State's Master Plan for Higher Education.

Although the Legislature requested each agency to submit a preliminary funding gap report by December 15, 1991, the Commission did not receive all four requested preliminary reports until late January 1992. At its March 1992 meeting, the Commission discussed the systems' preliminary documents and adopted a report that commented on them. In that report, the Commission outlined seven issues on which it would focus in reviewing the systems' final submissions.

1. The size of the gap that exists between the systems' appropriations and the resources necessary to fully support their missions under the State's Master Plan for Higher Education, including the methodology used for calculating the gap and the rationale behind using that methodology for its calculation.
2. The effect on program quality of the funding gap. In documenting how program quality has been affected, each system should consider defining how it quantitatively measures the "quality" of its programs and how those measures have changed over time.
3. The effect on student access of the funding gap. In documenting how student access has been affected, each system should consider the following factors: (1) the number of students who applied for admission and were eligible to enroll but who did not and the principal reasons why they did not; (2) the number of classes which typically would have been offered but which were not; (3) how the number of new and transfer students admitted to the system has changed over time and the reasons for those changes; and (4) how the admission application deadlines have changed and what those changes

have meant in terms of number of students who may have been impacted.

- 4 The systems' plans to maintain their missions, given their 1991-92 State General Fund appropriation. In responding to this portion of the legislative request, it would be useful for each of the systems' reports to clearly articulate what their priorities are and how they will continue to ensure that those priorities are fulfilled given no increase in their State General Fund appropriation
- 5 Alternatives and options that the systems have considered for reducing their costs and what impact those alternatives would have on program quality and student access
- 6 Recommendations of the systems for their future financing and the extent to which such funding would enable the systems to continue to fulfill their mission under the State's Master Plan
- 7 In addition, although not called for by the Supplemental Report Language, the Commission also believes that it would be useful for each of the systems' reports to document the impact that the system has on the continued vitality, stability, and growth of California's economy.

As of August 12, 1992, the Commission had received the final funding gap reports from three of the four agencies -- the California State University, the California Community Colleges, and the California Student Aid Commission. Appendix B to this document contains a summary of those responses in light of the seven items listed above.

Officers of the University of California have indicated that they will not submit a final funding gap report until after the 1992-93 State Budget has been passed.

Content of the three final reports

The final reports submitted by the California State University, the California Community Colleges, and the California Student Aid Commission all provide

evidence that the State is moving away from its ability to meet the goals outlined in the State's Master Plan for Higher Education. This distressing and unfortunate conclusion stems in part from the following observances:

- In 1991-92, the California State University enrolled 270,000 full-time-equivalent students (FTES) -- about 14,000 fewer than what demographic projections would have predicted based on historical enrollment patterns
- That year, the California Community Colleges reported that they were unable to serve all students who sought instruction in that system -- about 100,000 students were turned away
- And during the same year, the California Student Aid Commission was able to provide Cal Grant awards to only one in four students eligible to receive an award

All of these occurrences stem from the lack of sufficient resources available to support California's historic Master Plan goals and commitments. The combination of the State's current recession combined with the structural problems with its budgeting process have left an ever-shrinking portion of State resources available to support California higher education. California's system of higher education received 15.8 percent of all General Fund expenditures in 1987-88, but by 1991-92 its share had declined to 13.6 percent.

The three reports all provide fairly extensive information about the level of underfunding and the impact that that underfunding has had on program quality and student access. However, they are incomplete with respect to other issues requested by the Supplemental Report Language:

- 1 None of them outlines the system's plans or priorities for continuing to meet its Master Plan mission given its current level of resources,
- 2 None puts forth recommendations on how the system should be financed in the future, and
- 3 None examines, in any extensive way, cost saving alternatives -- thus preventing the Commission from commenting on "the alternatives that each board considered to affect institutional costs and the effect of those alternatives on faculty workload policies, program scope, and ad-

ministrative costs," as requested by the Legislature

Conclusion

The Commission believes that these three issues -- (1) the systems' plans and priorities given insufficient resources, (2) the ways California public higher education should be financed in the future, and (3) the alternatives available to the systems to reduce costs while maintaining quality services -- are fundamental to the future of California higher education and must be discussed publicly, with decisions made about them through conscious action rather than being backed into as a result of resource constraints. Furthermore, the Commission recognizes that since each of the systems, to some extent, has already been forced to depart from its Master Plan mission because of insufficient resources and that the State will be unable to provide increased levels of support to the systems in the future unless changes are made in the State's budgetary process, the State must begin to reexamine its expectations from California's higher education systems.

At its June meeting, the Commission began to address this issue by recommending that the missions of California's higher education institutions be reexamined within the context of available revenues. It noted that while the Commission and California's higher education systems continue to support the original goals of the State's Master Plan, the resources to achieve them are not available now and likely will not be in the future, given the current State budgetary structure. As a result, it stated that the State must begin to realign the missions and goals of California higher education with the resources available to support them. The Commission therefore recommended that the California higher education community immediately initiate a process to reassess the principles of the Master Plan within the context of the State's fiscal situation and offer recommendations prior to January 1, 1993, about any changes needed in the State's Master Plan for Higher Education.

The Commission believes that this process must begin immediately. As a result, it directs that

- 1 This report and the accompanying summaries of the systems' final funding gap reports shall be

transmitted to the Governor, Legislature, and other interested State officials in fulfillment of the requirement of the Supplemental Report Language

- 2 The Commission's Executive Director shall immediately initiate a process to implement the Commission's June recommendation to reassess the principles of the State's Master Plan within the context of available resources, with the systems' funding gap reports serving as the foundation for that reassessment
- 3 Through this reassessment, the Commission shall analyze and provide recommendations in the three areas identified above that were lacking in the systems' final funding gap reports
- 4 The goal of the reassessment should be to develop recommendations on ways to realign the missions of California's higher education systems with the resources available to support them, such that both access and quality are maintained to the greatest possible degree

References

Board of Governors, California Community Colleges. *Funding Gap Study as Required by Supplemental Language in the 1991 Budget Act*. Prepared by the Policy Analysis Division, Research and Analysis Unit of the Chancellor's Office. Sacramento: Chancellor's Office, April 1992.

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The California State University. *Funding Gap Study Final Report*. July 15, 1992. Response to Item 6610-001-001 of the Supplemental Report of the 1991 Budget Act, 1991-92 Fiscal Year. Long Beach: Office of the Chancellor, The California State University, July 1992.

California Student Aid Commission. *Maintaining California's Student Financial Aid Commitment*. A

*Report Developed in Resaponse to the Legislature's
Request for Information on the Cal Grant Program*

Funding Gap Sacramento. The Commission, April
1992

Appendix A Supplemental Budget Report Language

Funding Gap Reports

California Postsecondary Education Commission

The Legislature intends that the California Postsecondary Education Commission (CPEC) review and comment upon both the preliminary and final segmental reviews of state financing of the Master Plan for Higher Education provided for in items 6440-001-001, 6610-001-001; 6870-001-001, and 7980-001-001 of the Supplemental Report to the 1991 Budget Act. In reviewing and commenting on the individual governing board presentations, the Commission shall comment on the alternatives that each board considered to affect institutional costs and the effect of those alternatives on faculty workload policies, program scope, and administrative costs. It shall also comment on the impact of these alternatives on program quality and student access to the segment. The Commission is further requested to compare the individual governing boards plans and priorities for maintaining their Master Plan functions under the current state budget constraints, and to raise any concerns it may have about the effect of different segmental postures on the integrity of the Master Plan. Such review shall be submitted to the Governor and Legislature by May 1, 1992.

University of California

The Legislature requests the University of California Regents to document the extent of the current gap, if any, between State appropriations for the University of California and funding that is needed to fully support the University's current mission under the state Master Plan for higher education. The review shall include where possible an identification of the consequences of the funding gap on program quality and student access. This review should include the Regents' plans and priorities for maintaining their mission under the current state funding scenario, accompanied by recommendations to the Governor and the Legislature on future State policies for financing the University of California. A preliminary review should be forwarded

to the Governor, Legislature, and CPEC by December 15, 1991. The segment's final report shall be transmitted to the Governor, Legislature, and CPEC by April 1, 1992. CPEC shall comment on the segment's final report, and transmit its comments to the Governor and Legislature by May 1, 1992. The final segmental report should be managed so as to invite public comment on the Regents' recommendations.

The California State University

The Legislature requests the California State University Board of Trustees to document the extent of the current gap, if any, between State appropriations for the CSU and funding that is needed to fully support the State University's current mission under the state Master Plan for Higher Education. The review shall include where possible an identification of the consequences of the funding gap on program quality and student access. This review should include the Trustees' plans and priorities for maintaining their mission under the current state funding scenario, accompanied by recommendations to the Governor and the Legislature on future State policies for financing the CSU. A preliminary review should be forwarded to the Governor, Legislature, and CPEC by December 15, 1991. The segment's final report shall be transmitted to the Governor, Legislature, and CPEC by April 1, 1992. CPEC shall comment on the segment's final report, and transmit its comments to the Governor and Legislature by May 1, 1992. The final segmental report should be managed so as to invite public comment on the Trustees' recommendations.

California Community Colleges

The Legislature requests the California Community Colleges Board of Governors to document the extent of the current gap, if any, between State appropriations for the CCC and funding that is needed to fully support the Community Colleges' current mission under the state Master Plan for Higher Education. The review shall include where possible an

identification of the consequences of the funding gap on program quality and student access. This review should include the system's plans and priorities for maintaining their mission under the current state funding scenario, accompanied by recommendations to the Governor and the Legislature on future State policies for financing the CCC. A preliminary review should be forwarded to the Governor, Legislature, and CPEC by December 15, 1991. The segment's final report shall be transmitted to the Governor, Legislature, and CPEC by April 1, 1992. CPEC shall comment on the segment's final report, and transmit its comments to the Governor and Legislature by May 1, 1992. The final segmental report should be managed so as to invite public comment on the board's recommendations.

Student Aid Commission

The Legislature requests the Student Aid Commission (SAC) to document the extent of the gap, if any, between State appropriations for the Commission's Cal Grant programs and funding that is needed to

fully support the grant programs' current mission under the state Master Plan for Higher Education. The review shall include where possible an identification of the consequences of the funding gap on student access and on how students meet the costs of their education when grant funds are inadequate. This review should include the Commission's plans and priorities for maintaining their mission under current state funding scenario, accompanied by recommendations to the Governor and the Legislature on future state policies for financing the Cal Grant programs. A preliminary review should be forwarded to the Governor, Legislature, and CPEC by December 15, 1991. The SAC's final report shall be transmitted to the Governor, Legislature, and CPEC by April 1, 1992. CPEC shall comment on the segment's final report, and transmit its comments to the Governor and Legislature by May 1, 1992. The final segmental report should be managed so as to invite public comment on the SAC's recommendations.

Appendix B

Summaries of the Final Reports

IN ITS MARCH 1992 report, *Commission Comments on the Systems' Preliminary Funding Gap Reports*, the Commission reiterated the seven specific areas of focus identified in the Supplemental Report Language that should be addressed by the systems in their subsequent funding gap reports. As it noted in that report, "the Commission's review of the systems' final funding gap reports will focus on the systems answers to the general questions called for in the Supplemental Report Language." This review therefore utilizes those seven areas as the means for organizing the Commission's analysis of the systems' newly prepared reports.

The California State University's report

ISSUE 1: The size of the gap that exists between the system's appropriations and the resources necessary to fully support its missions under the State's Master Plan for Higher Education, including the methodology used for calculating the gap and the rationale behind using that methodology for its calculation.

The State University notes that per-student State appropriations dropped almost 10 percent between 1990-91 and 1991-92 (Display 1, below), and while the 1992-93 budget is not final, it expects an additional cut of at least 7 percent.

Had the State University's 1991-92 budget been calibrated to provide for normal workload, salary,

and price increases, it would have increased by \$113 million or 5 percent. Since its budget actually decreased by \$57 million that year, the State University estimates that it was underfunded by approximately \$170 million.

The Commission is concerned about the data used by the State University for this analysis, and it noted its concern in its comments on the State University's preliminary report. As a result, the Commission believes that the funding gap calculated by the State University should be viewed with caution.

The State University also cites estimates by the Office of the Legislative Analyst indicating that it was underfunded in the Governor's original 1992-93 budget by an additional \$219 million, based on its normal budgeting procedures, and it is reasonable to assume that its final 1992-93 budget will result in appropriations substantially below the originally proposed level.

In its funding gap report, the State University also cites the Commission staff's "Progress Report on Instructional Costs" of May 1992, which provided preliminary data indicating that its instructional expenditures were already below those of its faculty salary comparison institutions even before these cuts were exacted. However, those Commission data were preliminary, largely unrefined, and as the Commission staff cautioned, should not be used for policy purposes at this time.

Finally, the State University estimates a backlog in deferred maintenance totaling \$235 million.

DISPLAY 1 *Net General Fund Appropriations to the California State University, 1990-91 and 1991-92*

<u>Year</u>	<u>Net General Fund Appropriation (in Millions)</u>	<u>Full-Time-Equivalent Enrollment</u>	<u>Appropriation in Constant Dollars/ Full-Time-Equivalent Enrollment</u>	<u>Percent Change</u>
1990-91	\$1,702.7	274,500	\$4,342	
1991-92	\$1,645.3	280,220	\$3,919	-9.7%

Source: Office of the Chancellor, The California State University

ISSUE 2 The effect on program quality of the funding gap. In documenting how program quality has been affected, each system should consider defining how it quantitatively measures the "quality" of its programs and how these measures have changed over time.

The bulk of the State University's final funding gap report is devoted to this issue, addressing the question of program quality in a wide variety of ways. The report illustrates the effect of the funding gap on program quality in concrete terms by describing the specific personnel and curricular changes made as a result of the 1991-92 budget cuts, as well as the planned reductions anticipated due to the additional cuts expected for 1992-93.

The State University points out that almost 88 percent of its budget is devoted to personnel costs -- meaning that deep and ongoing cuts must invariably be absorbed through reductions in personnel or changes in workload policies. To summarize the effect of the Trustees' 1991-92 Budget Reduction Plan:

Personnel Reductions, 1991-92

- ☐ Reduction of 868 non-faculty positions across the system, including the system office.
- ☐ Over 400 faculty and department chair vacancies left unfilled
- ☐ 229 faculty position deficiency due to deletion of funds to replace faculty on sabbatical
- ☐ Layoff notices sent to more than 1,000 part-time and temporary faculty
- ☐ Part-time contracts not renewed for approximately 2,000 faculty

Personnel Reductions, Projected 1992-93

- ☐ Reduction of additional 1,345 faculty positions, including 153 tenured and 187 probationary faculty
- ☐ Layoff of 109 Management Personnel Plan employees
- ☐ Layoff of 740 support staff

Curricular/Programmatic Changes

- ☐ Cumulative reduction of 3,800 to 4,000 course sections per term between 1990 and

1991, despite projections originally estimating a 2 percent increase in enrollment for this period.

- ☐ Class size increased by 7 percent between 1990 and 1991
- ☐ Increase in student/faculty ratio to 20:16.1, an increase of 7 percent in one year
- ☐ Drastic reductions in library acquisitions, as well as a reduction in library hours on many campuses

Based on the State University's extensive descriptions in its report, the effects of these reductions on program quality have been rapid and severe. Space does not allow for a complete reiteration here, but one anecdote in the report from a campus counseling director gives a flavor for the impact of the cuts across the system:

The current waiting list in Counseling consists of over 80 people. The average waiting time is from two to three weeks. It is likely that some of those on the list at the moment may not be seen by semester's end. It is certain that many who come in before now and the end of the semester will not be seen. What is unknown is how many are discouraged from coming in at all when they hear that there is a two to three week wait.

We have always tried to keep an hour or two free for crisis situations, but those have been so numerous in recent weeks that even our crisis hours are booked three to four days in advance. Counselors are burning the candle at both ends trying to meet the need and knowing there is no easy answer to the student who is at the desk asking for help.

ISSUE 3 The effect on student access of the funding gap. In documenting how student access has been affected, each system should consider documenting the following factors: (1) the number of students who applied for admission and who were eligible to enroll but did not, (2) the number of classes which typically would have been offered but were not, (3) how the number of new students admitted to the system has changed over time and the reasons for those changes, and (4) how the admission application deadlines have changed

and what those changes have meant in terms of number of students who may have been impacted.

The State University estimates that during a time of increasing enrollment demand it served some 10,000 fewer FTE student in 1991 than 1990. Further, they estimate that in the event of an additional 8 percent cut in 1992-93 the State University will enroll approximately 30,000 fewer FTE students in 1992, resulting in a two-year enrollment decline of almost 40,000 full-time-equivalent students.

ISSUE 4 The system's plan to maintain its missions given the current State General Fund appropriation. In responding to this portion of the legislative request, it would be useful to clearly articulate what the system's priorities are and how they will continue to ensure that those priorities are fulfilled given no increase in State General Fund appropriations

In beginning the process of defining its priorities within the context of a reduced funding base, the State University cites Section 66202 of the Education Code, which defines enrollment priorities in the following order.

- 1 Continuing undergraduate students in good standing
- 2 California residents who have completed two years work in a California public Community College.
- 3 California residents entering at the freshman and sophomore levels
- 4 Residents of other states and foreign countries

The State University continues by citing the Trustees' current enrollment management policy, which opens with the following statement

Admission to a campus shall be limited on the bases of authorized plans and programs, and the number of students for whom facilities and competent staff are available to provide opportunity for an adequate college education. (Title 5, Section 40650)

Both Trustee policy and the reality of campus cut-backs serve as stark reminders that the State University cannot simultaneously accommodate in-

creasing enrollment and a consistently shrinking resource base. The State University maintains that it has thus far been able to fulfill its Master Plan access obligations, "at least nominally." And while changes in application deadlines and other policies have served to limit enrollments, so far it appears that the State University has been able to at least technically meet its mission under the Master Plan. However, the Funding Gap Report leaves no doubt that the time in which unallocated budget reductions can be absorbed without unacceptable compromises in program quality has ended, and the time for difficult and painful prioritization has begun.

The report acknowledges the State University's ongoing commitment to recruit a diverse student body, staff, faculty, and administration. In addition, the Report indicates that at such time that the preservation of program quality requires enrollment management at levels below Master Plan guidelines, the State University will follow the priorities defined in Education Code 66202 "rigorously." However, the report does not provide information on how the State University plans to meet its highest priority of serving continuing undergraduate and community college transfer students in the future except by excluding lower priority students.

ISSUE 5 Identify alternatives and options that have been considered for reducing costs and what impact those alternatives would have on program quality and student access

The State University's report does not substantively address the issue of cost cutting alternatives other than decreasing enrollment.

ISSUE 6 Recommendations for its future financing and the extent to which such funding would enable the system to continue to fulfill its missions under the State's Master Plan.

The State University identifies two potential financing alternatives in its report -- increasing student tuition, and increasing private contributions. While both offer the potential for some limited fiscal relief, access concerns plague the tuition alternative unless adequate financial aid is also provided, which in turn cuts substantially into the net revenue resulting from the tuition hikes. In any

event, even if both alternatives were pursued to their utmost, the Report indicates that they would not change the basic shape of the fiscal crisis facing the State University and would not enable it to continue to fulfill its Master Plan mission

ISSUE 7 While not specifically included in the Supplemental Language, the Commission also requests that the State University document the impact the system has on the continued vitality, stability, and growth of California's economy

The State University has commented on this subject extensively elsewhere, but its treatment of the issue in its funding gap report is relatively brief and is couched in a discussion of the broader implications of a reduction in educational quality. The section reads as follows

□ **Decreased quality for K-12 schools**

CSU has major responsibility for teacher education in this State. The quality of the teachers prepared is directly related to the quality of the CSU academic and teacher preparation program.

In addition, decreased quality is also a resultant of 'opportunity losses'. For example, an inability to admit students and/or place student teachers wishing to pursue bilingual credentials results in not fulfilling an important educational need that results in decreased quality of the teacher force and decreased support for a demographically changing K-12 population.

Other areas of high need such as mathematics and science will be similarly affected as potential teachers, who are fully qualified, are not admitted to teacher education programs due to enrollment limitations for budgetary reasons.

□ **Decreased quality in California's workforce**

The educational potential of the workforce will not be realized in an environment of decreased access to public higher education. Severe economic effects will be realized (e.g. large employers may leave the State; lost income potential will result in decreased state revenues).

□ **Decreased quality of life in California**

Lack of educational opportunity for all those willing and qualified to pursue educational objectives at the CSU limits the potential to achieve many other objectives in addition to professional advancement. Examples include developing artistic talent, becoming involved in public service opportunities, expanding intellectual and cultural horizons, etc.

The California Community Colleges' report

ISSUE 1 The size of the gap that exists between the system's appropriations and the resources necessary to fully support its missions under the State's Master Plan for Higher Education, including the methodology used for calculating the gap and the rationale behind using that methodology for its calculation

The California Community Colleges' funding gap report by the Board of Governors identifies three specific areas where funding gaps exist and provides estimated funding deficiencies for each of them.

- The first and highest priority deficiency is unfunded enrollment, totaling 52,000 full-time-equivalent students in 1991-92. This deficiency stems from the State's practice of financing community college enrollment growth at rates consistent with growth in adult population, regardless of whether enrollment of eligible students is growing at faster or slower rates. The result is that the community colleges enroll a large number of eligible students for which they receive no State funding. The Board of Governors estimates that to fund students that are currently enrolled above the State's "enrollment cap" would cost \$161 million.
- The second identified deficiency is substandard programmatic support, estimated as the difference between the per student funding called for in formulas adopted by the Board of Governors (\$4,800 per full-time-equivalent student), and

the current actual funding level of approximately \$3,100. In addition, the Board identifies a gap between actual funding provided for staff and facility maintenance and the amount recommended in statute and by Board policy. The Board estimates a total annual cost of \$1.587 billion to remedy these deficiencies.

The Commission believes that this portion of the Board's report should be viewed with caution. The Legislature has requested the Commission to analyze the funding formula adopted by the Board on which this gap is calculated, and the Commission is endeavoring to complete the review of the community colleges funding formulas in the near future.

- Finally, the Board identifies current and projected shortfalls in capital outlay funds, indicating that approximately \$200 million annually will be required over the next 15 years just to maintain access for current enrollment levels, while actual appropriations are running at only half that level. In addition, projected increases in enrollment imply a need for increasing the availability of capital outlay funds related to expansion. The Board estimates that to remedy current capital outlay deficiencies related to both existing enrollment and projected enrollment growth would require an additional \$480 million annually in capital outlay funding.

ISSUE 2 The effect on program quality of the funding gap. In documenting how program quality has been affected, each system should consider defining how it quantitatively measures the "quality" of its programs and how these measures have changed over time.

The Board of Governors uses several generally accepted proxies to address the extent to which systematic funding deficiencies are affecting program quality. As noted above, it derives the specific cost estimate for assessing existing programmatic deficiencies through the difference between current per-student funding and the financing called for in the formulas developed by the Board to implement the program-based funding requirements contained in AB 1725.

In addition, the Board compares per-student funding in the California Community Colleges with funding in a sample of eight large industrial states

and a broader sample of 38 states. For the California cost estimates, it utilized data from only 33 districts, encompassing two-thirds of the California Community Colleges' total enrollment, but the resulting cost estimates for these 33 districts are reasonably consistent with estimates developed independently by CPEC. The Board found that funding per full-time-equivalent student in the California Community Colleges was lower than in all eight industrialized states and was roughly \$1,000 per student lower than the average funding for the broader sample of 38 states. When comparing the California Community Colleges' funding to the top ten states nationally -- a recommended Proposition 111 funding standard -- per-student funding in California falls approximately \$2,000 below the average. These findings are especially disturbing given the unique challenges facing many California Community College districts and the extraordinarily complex missions involved with addressing the sometimes competing demands of large immigrant populations, career retraining programs, vocational/technical programs, and collegiate transfer programs.

Finally, the Board of Governors' report addresses the impact of the funding gap on program quality through an examination of changes in student/faculty ratios over time. This analysis found a 20 percent increase in full-time-equivalent student/full-time equivalent faculty ratios -- from 29.4:1 in 1977-78, just prior to the enactment of Proposition 13, to 34.7:1 in 1990-91. Similarly, the Board estimates average class size for 1991-92 at 31 students -- a 10 percent increase from 1981-82 and the highest level in the past decade.

These findings are summarized in a table of Program-Based Funding Standards contained on page 15 of the Board's report.

	<u>Recommended Standard</u>	<u>Actual</u>
1	Full-time faculty teach 75% of credit instruction	They teach 65%
2	Faculty salaries are comparable to CSU	They are \$6,700 less
3	Resources equate to top 10 among other states	They are \$2,000/FTE less
4	A student/faculty ratio of 25:1	The ratio is 35:1

5 Adequate support staff and supplies	Not ascertained
6 Academic administration budgeted as 12% of above.	Not ascertained

Staff in the Chancellor's Office estimate that adequate financing of Standard 3 would generate adequate funding to finance Standards 4, 5, and 6

Again, the Commission will be reviewing these standards in its future work

ISSUE 3: The effect on student access of the funding gap. In documenting how student access has been affected, each system should consider documenting the following factors (1) the number of students who applied for admission and who were eligible to enroll but did not, (2) the number of classes which typically would have been offered but were not, (3) how the number of new students admitted to the system has changed over time and the reasons for those changes, and (4) how the admission application deadlines have changed and what those changes have meant in terms of number of students who may have been impacted

Through a combined analysis of historic participation rates and observed student withdrawals, the Board of Governors estimates that current enrollment is approximately 280,000 students lower than actual demand would normally generate, given adequate levels of financial support. Of this total, it estimates that 120,000 have been unable to obtain the classes they wanted, among whom approximately 45,000 enrolled but withdrew by the fourth week of instruction. The Board surmises that the remaining 160,000 students did not enroll as a result of the chronic underfunding experienced by the community colleges since imposition of enrollment caps in the early 1980s. It derives this figure by applying the 1981-82 community college participation rate to the State's population in 1991-92.

The Board of Governors also notes that the California Community Colleges face additional pressure for access from students who previously would have been expected to attend the University of California or the California State University, but are instead choosing community college programs because of the variety of funding problems facing the four-year institutions. The Board estimates this additional

enrollment pressure to be as much as 24,000 students

ISSUE 4: The system's plan to maintain its missions given the current State General Fund appropriation. In responding to this portion of the legislative request, it would be useful to clearly articulate what the system's priorities are and how they will continue to ensure that those priorities are fulfilled given no increase in State General Fund appropriations

In its final funding gap report, the Board of Governors does not delineate specific priorities from among its varied missions in the event of continued insufficient funding. Rather, it indicates that such priority-setting should be left to individual districts in order that they may tailor their efforts to address the local and often unique circumstances in which they find themselves. In addition to not identifying priorities, the Board does not provide information on how the community colleges will carry out their mission in the future.

ISSUE 5: Identify alternatives and options that have been considered for reducing costs and what impact those alternatives would have on program quality and student access

Among the range of alternatives reviewed by the Board within traditional instructional delivery techniques are increasing class size and increasing use of part-time faculty, peer tutors, and teaching assistants. However, the Board also raises concerns as to the effect these policies would have on program quality, especially since the community colleges already fall below the class size, student/faculty ratio, and reliance on full-time faculty goals embedded within the program-based funding standards.

Among less traditional alternatives the Board references the work of its Commission on Innovation, whose work is currently in progress. Some proposals which may be recommended by the Commission on Innovation have promise for swift implementation, such as more effective utilization of the academic calendar. Other alternatives such as interactive television, computer-aided instruction, and the entire "distance learning" realm may offer potential for long-term improvements in productivity.

But as the Board correctly points out, these more nontraditional alternatives will also require substantial capital investments and will require some time for full implementation, much less realization of any expected cost savings

ISSUE 6- Recommendations for its future financing and the extent to which such funding would enable the system to continue to fulfill its missions under the State's Master Plan.

The assessment of the Board of Governors in its funding gap report is that federal or State support will not increase significantly for the California Community colleges above levels previously projected. In addition, while the Board indicates that some potential may exist for selectively raising student fees and developing new partnerships with the business community, it is unlikely that these options will contribute substantially to closing the funding gap identified in the report. In addition, low-cost alternatives hold some promise for improving efficiency at the margin, but major innovations in educational delivery techniques will require significant new investments which seem extremely unlikely in this fiscal environment.

As a result, the Board of Governors estimates that under a nearly best-case scenario the rate of increase in the community colleges' funding gap may be stopped and possibly even narrowed slightly. However, under the State's current financing structure, even with the funding guarantees provided in Proposition 111, the Board does not believe that the community colleges will be able to reduce their funding gap significantly through at least the end of this decade.

ISSUE 7 While not specifically included in the Supplemental Language, the Commission also requests that the community colleges document the impact the system has on the continued vitality, stability, and growth of California's economy

The most substantive discussion of this issue is found on page 31 of the community colleges' funding gap report, where the Board of Governors notes

The ability of the California Community Colleges to meet their mission, as defined by the Master Plan, is vital to the economic and social development of California. The Colleges have a

particularly significant role to play in helping close the potential gap between the State's new jobs and the lack of skilled labor available to fill them. Community Colleges not only provide individuals with transfer and vocational education for these new jobs, but they also enroll more individuals than do other postsecondary institutions from the groups (women, minority, immigrant, etc.) that will comprise most of the new workers.

The California Student Aid Commission's report

ISSUE 1 The size of the gap that exists between the system's appropriations and the resources necessary to fully support its missions under the State's Master Plan for Higher Education, including the methodology used for calculating the gap and the rationale behind using that methodology for its calculation.

In its report, the California Student Aid Commission documents that funding for the Cal Grant programs is far less than necessary to meet the program's stated Master Plan mission. Specifically, the programs are underfunded by \$51 million in the proposed 1992-93 budget and will need about \$1.5 billion in more funds over the next decade to achieve the long-term statutory objectives of (1) providing new Cal Grant awards to 25 percent of the high school graduating class, (2) providing full fee funding for recipients attending the state's public universities, and (3) providing funding for the maximum Cal Grant award level for recipients attending the State's independent colleges and universities.

The report notes that currently only about one in four students eligible for a Cal Grant award actually receives one.

ISSUE 2 The effect on student access resulting from the funding gap

The Student Aid Commission notes that if the State continues to underfund Cal Grants, enrollment in postsecondary institutions is far less likely to reflect the State's diversity among its various income and ethnic groups.

The Student Aid Commission also notes that the percentage of Cal Grant recipients attending the State's independent institutions has declined over time, which may be partially a result of the significant difference between the tuition levels charged by those institutions and the maximum Cal Grant award level that has not been fully funded and is currently about \$2,000 less than the level called for in State statute. As a result, the Cal Grant program is not providing the same level of choice among educational institutions that it once did.

ISSUE 3 How students meet the cost of their education when grant funds are inadequate

The Student Aid Commission notes that student borrowing has increased significantly over the past three years in light of insufficient grant resources and rising costs. Between 1988-89 and 1990-91, student loan borrowing increased \$36 million at the California State University, \$55 million at the University of California, and \$65 million at the State's independent colleges and universities. Borrowing in the first six months of this fiscal year also in-

creased -- by 28 percent at the State University, 22 percent at the University, 25 percent at the independent colleges and universities, and 43 percent at the community colleges.

ISSUE 4 The Student Aid Commission's plans and priorities for the Cal Grant Program, given the current level of State General Fund appropriation.

The Student Aid Commission does not outline in its report its plans or priorities relating to the Cal Grant programs but notes that by not adequately funding them, the State is not maintaining the historic level of access to college that it once provided to its citizens.

ISSUE 5. Recommendations for the future financing of the Cal Grant programs

The Student Aid Commission does not provide recommendations in its report about how the Cal Grant programs should be funded in the future other than through additional State resources.

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

THE California Postsecondary Education Commission is a citizen board established in 1974 by the Legislature and Governor to coordinate the efforts of California's colleges and universities and to provide independent, non-partisan policy analysis and advice to the Governor and Legislature.

Members of the Commission

The Commission consists of 17 members. Nine represent the general public, with three each appointed for six-year terms by the Governor, the Senate Rules Committee, and the Speaker of the Assembly. Six others represent the major segments of postsecondary education in California. Two student members are appointed by the Governor.

As of April 1993, the Commissioners representing the general public are:

Henry Der, San Francisco, *Chair*
C. Thomas Dean, Long Beach, *Vice Chair*
Mim Andelson, Los Angeles
Tong Soo Chung, Los Angeles
Helen Z. Hansen, Long Beach
Mari-Luci Jaramillo, Emeryville
Lowell J. Paige, El Macero
Stephen P. Teale, M.D., Modesto

Representatives of the segments are

Alice J. Gozales, Rocklin, appointed by the Regents of the University of California,
Yvonne W. Larsen, San Diego; appointed by the California State Board of Education;
Timothy P. Haidinger, Rancho Santa Fe, appointed by the Board of Governors of the California Community Colleges;
Ted J. Saenger, San Francisco; appointed by the Trustees of the California State University,
Kyhl M. Smeby, Pasadena, appointed by the Governor to represent California's independent colleges and universities, and
Harry Wugalter, Ventura, appointed by the Council for Private Postsecondary and Vocational Education

The student representatives are

Christopher A. Lowe, Placentia
Beverly A. Sandeen, Costa Mesa

Functions of the Commission

The Commission is charged by the Legislature and Governor to "assure the effective utilization of public postsecondary education resources, thereby eliminating waste and unnecessary duplication, and to promote diversity, innovation, and responsiveness to student and societal needs."

To this end, the Commission conducts independent reviews of matters affecting the 2,600 institutions of postsecondary education in California, including community colleges, four-year colleges, universities, and professional and occupational schools.

As an advisory body to the Legislature and Governor, the Commission does not govern or administer any institutions, nor does it approve, authorize, or accredit any of them. Instead, it performs its specific duties of planning, evaluation, and coordination by cooperating with other State agencies and non-governmental groups that perform those other governing, administrative, and assessment functions.

Operation of the Commission

The Commission holds regular meetings throughout the year at which it debates and takes action on staff studies and takes positions on proposed legislation affecting education beyond the high school in California. By law, its meetings are open to the public. Requests to speak at a meeting may be made by writing the Commission in advance or by submitting a request before the start of the meeting.

The Commission's day-to-day work is carried out by its staff in Sacramento, under the guidance of its executive director, Warren H. Fox, Ph.D., who is appointed by the Commission. Further information about the Commission, its work, and its publications may be obtained from the Commission offices at 1303 J Street, Suite 500, Sacramento, California 95814-2938, telephone (916) 445-7933.

COMMISSION COMMENTS ON THE SYSTEMS' FINAL FUNDING GAP REPORTS

California Postsecondary Education Commission Report 92-20

ONE of a series of reports published by the Commission as part of its planning and coordinating responsibilities. Additional copies may be obtained without charge from the Publications Office, California Postsecondary Education Commission, 1303 J Street, Fifth Floor, Sacramento, California 95814-2936

Recent reports of the Commission include

92-4 Prospects for Long-Range Capital Planning in California Public Higher Education. A Preliminary Review. A Staff Report to the California Postsecondary Education Commission (January 1992)

92-5 Current Methods and Future Prospects for Funding California Public Higher Education. The First in a Series of Reports on Funding California's Colleges and Universities into the Twenty-First Century (March 1992)

92-6 Commission Comments on the Systems' Preliminary Funding Gap Reports. A Report to the Legislature and the Governor in Response to Supplemental Report Language of the 1991 Budget Act (March 1992)

92-7 Analyses of Options and Alternatives for California Higher Education. Comments by the Staff of the California Postsecondary Education Commission on Current Proposals for Change in California's Public Colleges and Universities (March 1992)

92-8 Faculty Salaries in California's Public Universities, 1992-93: A Report to the Legislature and Governor in Response to Senate Concurrent Resolution No 51 (1965) (March 1992)

92-9 Fiscal Profiles, 1992. The Second in a Series of Handbooks about the Financing of California Postsecondary Education (March 1992)

92-10 Student Profiles, 1991. The Second in a Series of Annual Factbooks About Student Participation in California Higher Education (March 1992)

92-11 Meeting the Educational Needs of the New Californians. A Report to Governor Wilson and the California Legislature in Response to Assembly Concurrent Resolution 128 (1990) (March 1992)

92-12 Analysis of the 1992-93 Governor's Budget. A Staff Report to the California Postsecondary Education Commission (March 1992)

92-13 Postsecondary Enrollment Opportunities for High School Students. A Report to the Legislature and the Governor in Response to Chapter 554, Statutes of 1990 (June 1992)

92-14 Eligibility of California's 1990 High School Graduates for Admission to the State's Public Universities. A Report of the 1990 High School Eligibility Study (June 1992)

92-15 Progress of the California Science Project. A Report to the Legislature in Response to Chapter 1486, Statutes of 1987 (June 1992)

92-16 Supplemental Report on Academic Salaries, 1991-92. A Report to the Governor and Legislature in Response to Senate Concurrent Resolution No 51 (1965) and Supplemental Language to the 1979 and 1981 Budget Acts (August 1992)

92-17 A Framework for Statewide Facilities Planning. Proposals of the California Postsecondary Education Commission to Improve and Refine the Capital Outlay Planning Process in California Higher Education (August 1992)

92-18 Guidelines for Review of Proposed University Campuses, Community Colleges, and Educational Centers. A Revision of the Commission's 1990 *Guidelines for Review of Proposed Campuses and Off-Campus Centers* (August 1992)

92-19 Approval of the Lemoore Center of the West Hills Community College District. A Report to the Governor and Legislature in Response to a Request from the Board of Governors to Recognize the Center as the Official Community College Center for the Lemoore/Hanford Area of Kings County (August 1992)

92-20 Commission Comments on the Systems' Final Funding Gap Reports. A Second Report to the Legislature and the Governor in Response to Supplemental Report Language of the 1991 Budget Act (August 1992)

92-21 Services for Students with Disabilities in California Public Higher Education, 1992: The Second in a Series of Biennial Reports to the Governor and Legislature in Response to Assembly Bill 746 (Chapter 829, Statutes of 1987) (August 1992)

92-22 Exchanging Students with Eastern Europe: Closing a Half-Century Learning Gap. A Report to the Governor and Legislature in Response to Assembly Concurrent Resolution 132 (Resolution Chapter 145, Statutes of 1990) (August 1992)

92-23 1992-93 Plan of Work for the California Postsecondary Education Commission. Major Studies and Other Commission Activities (August 1992)